

Alabama Department of Revenue

News Release

Feb. 2, 2011

Alabama Individual Income Tax Filing Update

Montgomery—The end of January marked the official start of the 2011 individual income tax season as W-2s, 1099s, and other financial statements were distributed to taxpayers for use in preparing their Alabama tax returns.

To assist taxpayers in meeting their Alabama tax filing requirements, the Alabama Department of Revenue (ADOR) offers the following tax filing tips and reminders.

Filing Deadline Date Same as Federal—Moved to Monday, April 18, 2011

Alabama taxpayers will have until Monday, April 18, 2011, to file their 2010 Alabama return and pay any additional Alabama tax due. The ADOR will follow the federal filing and payment deadline date for 2010 returns. The April 18, 2011, deadline will apply to the following:

- 2010 Alabama individual income tax returns
- Individual estimated tax returns and payments for the first quarter of tax year 2011 (Form 40ES)
- Any other Alabama income, corporate estimate, financial institution excise, or business privilege tax returns, administered by the ADOR having an April 15, 2011, filing and payment deadline date.

Alabama 2010 tax year returns filed under extension will be due Oct. 17, 2011.

Important Information for Taxpayers Who Itemize—IRS Will Start Processing Returns Feb. 14; ADOR Will Follow

The Internal Revenue Service (IRS) recently announced that certain taxpayers who itemize deductions on federal Form 1040 Schedule A will need to wait until Feb. 14 to file their federal return and Schedule A. The IRS needed the extra time to update its processing systems to accommodate the tax law changes without disrupting other operations tied to the filing season. The delay followed the Dec. 17 enactment of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, which extended a number of expiring federal tax deductions. The federal filing delay, in turn, affects the state filing of certain Alabama returns. The federal tax deduction amount shown on the Alabama return cannot be calculated for some taxpayers until their federal returns are completed. In the interim, the ADOR, along with the IRS, encourages affected Alabama taxpayers to begin work on their returns, but not submit their returns until Feb. 14, the target date the IRS processing systems should be ready. More information regarding the recently enacted federal changes and the [Feb. 14](#) target date is available at www.irs.gov.

Depreciation Changes for Tax Year 2010

Tax Relief, Unemployment Insurance Reauthorization and Jobs Creation Act of 2010: Alabama will follow the increased deduction allowed under the recently-enacted Tax Relief, Unemployment Insurance Reauthorization and Jobs Creation Act of 2010,

which amends Section 168(k) of the *Internal Revenue Code*. Section 168(k) provides that qualifying assets acquired after Sept. 8, 2010, through Dec. 31, 2011, will have a 100 percent bonus depreciation.

Small Business Jobs Act of 2010: Alabama is following the increased deductions allowed by the Small Business Jobs Act of 2010, which amends Section 179 and Section 168 of the *Internal Revenue Code*.

More information regarding Alabama's treatment of depreciation is available at www.revenue.alabama.gov. See [Current Issues](#) under the Practitioner's Corner.

Small Business Health Insurance Premiums

Qualifying employers can deduct an additional 50 percent of the amount paid as health insurance premiums on qualifying employees in connection with an employer-provided health insurance plan. Qualifying employers have less than 25 employees. Qualified employees are Alabama residents who earn no more than \$50,000 of wages and report no more than \$75,000 in adjusted gross income. Income threshold is limited to \$150,000, if married filing jointly. Sole proprietors claim this deduction on the Form Schedule C under "other expenses." Pass-through-entities claim this deduction on the Alabama partnership return Schedule K. The amount is then distributed to the partners or shareholders on the Schedule K-1. More information on the Small Business Health Insurance Premiums deduction is available at www.revenue.alabama.gov. See [Current Issues](#) under the Practitioner's Corner.

Reemployment Act of 2010 (effective for tax years 2011 and 2012)

The Reemployment Act of 2010 provides an income tax deduction to employers who hire individuals collecting unemployment or whose unemployment benefits have expired. Employers will receive an income tax deduction up to 50 percent of the gross wages paid to each individual hired from these categories who remains with the employer for 12 consecutive months. The deduction is limited, depending on the wage rates paid to employees. It is effective for tax years 2011 and 2012 for employees hired during 2010 and 2011, respectively.

Taxpayers Affected by the Gulf Oil Spill

The ADOR encourages Alabama taxpayers affected by the oil spill to review their tax situation or talk with their tax preparer about the implications of payments or compensations from the oil spill. Every person can have unique financial circumstances. Payments made by British Petroleum (BP) for damages sustained due to loss of income are taxable and must be included on the Alabama income tax return. Payments made by BP for damages sustained due to loss of property value are not taxable. More information is available at www.revenue.alabama.gov. See [Current Issues](#) under the Practitioner's Corner.

Consider E-file

More than 1.3 million Alabamians electronically filed their tax returns last year. E-file is a safe, secure method of filing one's tax return and guarantees a quicker turnaround time on refund processing than traditional paper returns. Further, taxpayers who meet certain eligibility requirements may be able to e-file their state and federal returns free-of-charge. For more information concerning eligibility requirements and a listing of online service providers offering free filing programs, visit the department's Web site at www.revenue.alabama.gov or the I.R.S. site at www.irs.gov.

Review your return

Before mailing or electronically filing, be sure to review all the information on your return one more time. Errors will delay the processing of your return.

Consumer Use Tax

Taxpayers who purchased items online or through catalog or telephone mail-order sales during 2010 and did not pay any sales or use tax to the out-of-state retailer should report and pay the Alabama consumer use tax due when filing their 2010 Alabama returns.

Choose Your Preparer Carefully

The ADOR cautions taxpayers to be wary of claims by preparers offering larger refunds than other preparers. Take time to check out the preparer's credentials. While most preparers provide excellent service to their clients, it is important to be aware that even if someone else prepares the return, the taxpayer is ultimately responsible for all of the information reported on his or her return. The department urges taxpayers to never sign a blank return and always review the return before signing it. Question any item shown on the return that you do not understand.

Owe Additional Taxes?

The ADOR offers taxpayers a variety of electronic payment options—from E-check to credit card payment options. More information is available at www.revenue.alabama.gov. See [Electronic Services](#).

Estimated Tax Reminder

April 18, 2011, also marks another important date on the tax calendar for individuals—the start of the 2011 tax-filing period for individuals who are required to file quarterly estimated income tax reports and payments. Self-employed individuals are required to report and pay estimated income tax on a quarterly basis, based on the current maximum individual rate of five percent. In addition, individuals who receive taxable income from income sources other than wages or salaries on which no tax has been withheld are also required to report and pay estimated tax on a quarterly basis, if the taxable income received exceeds certain amounts. The estimated tax filing and payment threshold for individuals is set at \$500 in tax liability annually. Examples of such taxable income would include interest income or capital gains distributions. The reporting and payment dates for individuals are April 15, June 15, Sept. 15, and Jan. 15 of the following year.

Where's My Refund?

If you file an accurate 2010 refund return, the ADOR advises that you can expect to have your refund approved by the ADOR and issued by the state within 15 weeks from the date the return is received.

To check on the processing status of your refund return, go to ["Where's My Refund"](#) at www.revenue.alabama.gov or call the Refund Hotline at 1.800.558.3912. Please allow at least four weeks after you electronically file or mail your Alabama refund return before using the automated systems.

Last year the ADOR processed over 1.8 million individual income tax returns and approved over 1.2 million individual income tax refunds for issuance to taxpayers, totaling \$625 million.

You can receive your state refund by either paper check or direct deposit. Last year, 621,752 Alabama taxpayers opted to have their state income tax refunds direct-deposited into their accounts. Check out the benefits of direct deposit. It is an easy and secure way to receive your tax refund.

Alabama Tax Assistance

The ADOR is committed to providing quality customer service to taxpayers. Assistance is available at taxpayers' convenience through the department's Web site at www.revenue.alabama.gov or by calling 334.242.1000. The ADOR also operates nine Taxpayer Service Centers located across the state for walk-in assistance. For a listing of ADOR Taxpayer Service Center locations, visit www.revenue.alabama.gov. See [About Us](#).

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ORDER OF THE COMMISSIONER OF REVENUE

Under the power granted to me by §40-2-11(13), *Code of Alabama 1975*, I hereby issue the following order which extends the filing and payment deadline date for certain Alabama tax returns and tax payments normally due April 15, 2011, to April 18, 2011, the same deadline date for certain federal tax returns and payments.

I. GENERAL RULE

(a) **EXTENSION OF TIME FOR FILING AND PAYMENT.** For purposes of applying the Income Tax, Financial Institution Excise Tax, and Business Privilege Tax laws with respect to the filing of required annual, quarterly, or monthly returns having an April 15, 2011, filing and payment deadline date, Alabama taxpayers are granted an extension through April 18, 2011, to file the following Alabama tax returns and remit the amount of tax due to the State of Alabama without payment of penalty:

- 2010 Alabama individual income tax returns, whether filed electronically or on paper.
- Individual estimated tax returns and payments for the first quarter of the 2011 tax year (Form 40ES).
- Any other Alabama income, corporate estimate, financial institution excise, or business privilege tax returns, administered by the ADOR, having an April 15, 2011, filing and payment deadline date.

(b) **FEDERAL FILING AND PAYMENT DEADLINE DATE.** For purposes of this section, by federal law, filing and payment deadlines that fall on a Saturday, Sunday, or legal holiday are timely satisfied if met on the next business day. Under a federal statute, holidays observed in the District of Columbia have impact nationwide on tax issues, not just in the District of Columbia. April 15 is a holiday in the District of Columbia. (Reference IR-2011-1, "IRS Kicks Off 2011 Tax Season with Deadline Extended to April 18; Taxpayers Impacted by Recent Tax Breaks Can File Starting in Mid- to Late February," dated Jan. 4, 2011.)

Entered this 31st day of January 2011.

SIGNED

Julie P. Magee, Commissioner
Alabama Department of Revenue

ATTEST

Lewis A. Easterly, Secretary
Alabama Department of Revenue